



ASRS REPORT

ARIZONA STATE RETIREMENT SYSTEM

Paul Matson, Director
3300 North Central Avenue, Phoenix, Arizona 85012
www.azasrs.gov

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This report provides a briefing of news and notices important to our members, retirees and employer partners, as well as other interested parties. It is produced by the ASRS on a periodic basis and posted to the ASRS website. If you would like to receive an email notice when the next issue is posted, and you are not already on our email list, please contact us at weeklyreport@azasrs.gov and provide your name, email address, telephone number and title and organization, if applicable.

ASRS News

Effect of possible shutdown of state government on ASRS members

The Arizona State Retirement System, like all state agencies, is preparing to curtail some services to members should there not be a budget appropriation for the 2010 budget year, which begins July 1.

Although there may be some effects for ASRS members, there will be no interruption of monthly benefit payments to retirees, beneficiaries or Long Term Disability members.

Also, the ASRS will continue to receive and process contributions sent in by employers on behalf of active members.

Some services, including the processing of paperwork, manning our call center and the Phoenix and Tucson offices may be impacted. However, at this time it is too early to determine what may be impacted. The ASRS will continue to keep members updated on this matter with notices posted to our website.

ASRS opposes House Bill 2171

The Arizona State Retirement System has received numerous telephone calls and emails from members concerned about a recently-introduced bill that appears aimed at funding of the private Science Foundation Arizona by using ASRS trust fund assets.

The bill, House Bill 2171, requires the ASRS Board of Trustees to authorize the Director of the ASRS to invest 0.1 percent (approximately \$20 million) of the retirement system's trust fund in Science Foundation Arizona, a non-profit organization dedicated to building and strengthening medical, scientific and engineering research programs in Arizona.

Although the bill, if passed into law, may not mandate the ASRS to make the investment, it would mandate the ASRS Board of Trustees to authorize the Director to make such an investment. The ASRS has expressed its opposition to this bill through legislative testimony.

The Arizona Constitution states that the assets of state public retirement systems are “separate and independent trust funds and shall be invested, administered and distributed as determined by law solely in the interests of the members and beneficiaries.”

The ASRS applies strict investment criteria before making any investments of trust monies, including analyzing risk, expected rates of return, historical returns and other criteria. ASRS funds are managed by qualified internal investment staff and outside fund managers, and are overseen by the ASRS Board of Trustees and an Investment Committee of the Board.

The ASRS produces a weekly ASRS Bill Tracker that contains a number of bills related to the retirement system that are in the legislative process. To track the progress of these bills, including HB 2171, please refer to the ASRS Bill Tracker, posted to the ASRS website under the ASRS Central section, Legislation and Rules page.

Total Contribution Rate to temporarily decrease beginning July 1

The combined contribution rates paid by employers and members will decrease slightly beginning with the new fiscal year, starting July 1, 2009. The slight decrease in the total contribution rate was made possible by a reduction in the Long Term Disability Income Plan portion of the full contribution rate.

These rates were set based upon the ASRS plan valuations as of June 30, 2008. Since that time, however, the overall markets and the ASRS fund have declined. At this time, it's anticipated that the ASRS will be in the position of having to increase the rate for the Pension Plan and Health Insurance Benefit portion by about a half percent beginning July 1, 2010, with similar increases needed for several years subsequent to that.

However, for the upcoming fiscal year, the contribution rate is set.

Combined Pension Plan and Health Insurance Benefit:

Current Contribution Rate: 8.95%

Rate beginning July 1, 2009: 9.0%

Long-Term Disability (LTD):

Current Contribution Rate: 0.50%

Rate beginning July 1, 2009: 0.40%

Total Contribution Rate (Pension plus Health Insurance plus LTD):

Current Contribution Rate: 9.45%

Rate beginning July 1, 2009: 9.40%

Bill proposes plan changes that would affect new ASRS members

With the state Legislature well into its session, and much of the focus still on budget issues, the ASRS is continuing to monitor one piece of legislation that would affect new ASRS members that is designed to limit the growth of liabilities.

House Bill 2111 includes prospective changes to the ASRS that, **if passed into law, would affect only members who join the ASRS on or after a future date, possibly as early as January 1, 2010.** The major provisions of the bill include:

- ✓ Modification of the Average Monthly Compensation formula used in a retiring member's retirement benefit calculation from the average of the highest 36 months in the last 120 months to the average of the highest 60 months in the last 120 months. The ASRS believes this would produce a more accurate salary average and prevent or mitigate “salary spiking.”
- ✓ Modification of one of the Normal Retirement date definitions from 80 points (age + years of service) to 85 points. This change would account for the fact that members are living longer and drawing benefits for a longer period of time.

- ✓ Elimination of employer contributions for members who leave the ASRS and withdraw their account balance. Currently, members who leave the ASRS and withdraw their account balances are entitled to contributions made on their behalf by their employer based upon years of service.

Again, should these provisions in this bill become law, they would apply only to new members who join the ASRS on or after a date in the future.

Other provisions in the bill would remove the 80-percent cap on retirement benefits and permit contributions from a secondary employer only if the 20/20 rule for membership is met for that employer. These changes would apply to all members.

In total, the overall bill provisions are expected to save the ASRS fund nearly \$1 billion over time.

The ASRS will continue to monitor the progress of this bill and other legislation during the session. To view complete summaries of proposed legislation that relates to retirement issues, and to track progress of the legislation, please refer to the weekly ASRS Bill Tracker, which can be viewed on our website

Member Meetings

Educational meetings offered to inform, assist members

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

Know Your Benefits

This meeting is especially beneficial to new members. You'll learn about the many benefits of belonging to the Arizona State Retirement System, including a history and overview of the ASRS, how your pension is calculated and how to maximize your future benefit, member responsibilities, disability and survivor benefits, options should you leave ASRS employment, and more. Also covered will be the Service Purchase benefit, through which a member may purchase, under certain circumstances, time they worked under other qualified employer plans.

Getting Ready for Retirement

This meeting is vital for members who are planning to retire within a year. You'll learn about your pension benefit and how it's calculated, options for retiree health insurance and other benefits, return to work options and more. Members who register for this meeting will receive a personal benefit estimate and assistance in filling out the proper paperwork.

Know Your Insurance

This meeting has been created to provide information to members about the ASRS health insurance plans and benefits. Members planning to retire soon are encouraged to attend. You'll learn about health insurance options, meet providers, learn about the ASRS Premium Benefit program, and other benefits available to you.

Visit our website and click on the "Calendars" section to see a full listing of meetings taking place in Phoenix, Tucson and throughout the state at various locations. Reservations are required and can be made by calling our Member Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.

ASRS Board & Committee Meetings

ASRS Board of Trustees

Friday, July 31, 8:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.

Operations Committee

Thursday, June 25, 10:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Investment Committee

Monday, July 27, 2:30 p.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

External Affairs Committee

Friday, October 2, 10 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.